Sources of Farm Credit

Ministry of Agriculture and Fisheries
1986

Sources of Farm Credit in British Columbia

British Columbia Ministry of
Agriculture and Fisheries
Economics Branch

Revised June 1986

British Columbia Cataloguing in Publication Data

Main entry under title:
Sources of farm credit in British Columbia. -- 1975-

Irregular.
Issuing body varies: 1975-1976, Dept. of Agriculture; 1977-1978, Ministry of Agriculture; 1981-1983, Ministry of Agriculture and Food; 1986- , Ministry of Agriculture and Fisheries. Economics Branch.
Continues: A summary of credit sources and livestock assistance policies. ISSN 0225-5766
ISSN 0707-297X = Sources of farm credit in British Columbia

1. Agricultural credit - British Columbia - Periodicals. I. British Columbia. Dept. of Agriculture. II. British Columbia. Ministry of Agriculture. III. British Columbia. Ministry of Agriculture and Food. IV. British Columbia. Ministry of Agriculture and Fisheries. Economics Branch.

HG2051.C39B74 332.7'1'09711
Rev. Sept. 1986

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PREFACE

For the first time in many years, the total amount of debt outstanding on farms in British Columbia has ceased to grow. However, important changes in the category and source of farm finance reflect the difficult economic times currently faced by farmers and ranchers.

Capital continues to be required in order to:

- fund inter-generational transfer of farm assets.
- increase size of existing farms to take advantage of economies of scale and to improve income.
- increase mechanization of agricultural processes.
- specialize and intensify agricultural production through the use of new and improved technology.

However, the ability to secure and manage borrowed funds effectively has become of prime importance as revenues and interest rates fluctuate and other costs generally continue their upward climb. The need to plan ahead and to monitor progress of the business towards pre-set objectives has never been more critical.

This fact is well recognized by lenders and applications for funding can be greatly expedited by presentation of a net worth statement, current income statement and projections and a cash flow budget which illustrates solvency, earning capacity and repayment expectations.

This bulletin outlines the sources of credit to agricultural businesses in British Columbia. It is intended as a guide and farm managers who seek credit should approach the institution or department which seems to best meet their needs to get specific information on interest rates, terms, repayment conditions and other important factors.

The format of this publication has been extensively redesigned from earlier versions in an attempt to present the information in a more useful form. Brian Steele was retained under contract to compile the new edition under the supervision of Terry Peterson, Economics Branch, Vernon.

A.B. (Sandy) Lauder
Director, Economics Branch
Victoria

INTRODUCTION

The use of credit is becoming increasingly important in managing a farm business. With the high capital requirements of today's farming enterprises it is difficult to acquire assets without credit. Credit allows farmers to expand their farm business, take advantage of new technology or market opportunities and develop new enterprises. Credit also assists farms to be transferred from one generation to another. Many farm businesses require a line of operating credit to carry the business from one production period to another.

The Three R's of Credit

When embarking on a credit program a borrower should consider the three R's of credit which include returns, risk and repayment.

Returns:

- Credit should be used for productive purposes to increase net income.

- Use realistic cost and conservative price projections.

- Prepare a partial budget to assess profitability.

- Prepare a cash flow budget to project the timing of cash inflows and outflows in order to determine the feasibility.

Risk:

- Borrow only the amount required even though the repayment capacity of the business is higher than the amount being borrowed. This reserve will be available to meet unforeseen costs or to take advantage of other opportunities.

- Keep debts in line with total capital investment. As assets are purchased by using borrowed funds the ratio of assets to liabilities will be reduced. The smaller the asset to liability ratio the lower is your chance of surviving crop or livestock production failures and the greater is your chance of financial difficulty due to adverse production or marketing situations. An appropriate balance must be established between risk level and the amount of borrowed funds required to finance the development and operation of the business.

- Adequate insurance is necessary to reduce risk and to protect the business and family income level during periods of adversity. Fire, liability, life and crop insurance are generally essential and other types are often required to ensure appropriate protection.

- Limit the use of credit for a new enterprise. Unfamiliarity with a new enterprise could result in a greater expense or a lesser return than anticipated. A cautious involvement will reduce risk.

Repayment:

- Keep debts in line with repayment capacity.

- Repayments should fit the flow of income.

- Income derived from productive assets purchased by the loans should be applied on a regular basis against the loan.

- For depreciable assets, repayment period should not exceed the expected life of the assets. A balance must be achieved between the length of the repayment schedule and the ability of the business to meet the necessary cash flow.

- Evaluate your credit needs in advance and develop a definite repayment plan.

Calculation of Repayment Capacity

Repayment capacity is the projected annual amount of money to service debt. Once calculated, repayment capacity can be used to estimate the size of loan that might be obtained. In the following example, it is assumed that the farm business has existing loans.

Total Farm Cash Income		$ 108,166
Less Farm Cash Expense (includes interest payments on existing loans)		76,001
= Cash Income after operating expense		$ 32,165
Less Principal payments already committed	$ 8,400	
Less Estimated Income Tax (farm)	4,615	
Less Family Living Expenses	11,000	
	$ 24,015	$ 24,015
= Residual to service debt		$ 8,150

To determine the size of the additional loan that can be carried in this example, determine the interest rate that will have to be paid and the length of time to repay the loan. Then, using the annual amortization tables (Appendix D) select the factor for that interest rate and term. The residual to service debt divided by the factor equals the amount that can be borrowed at that interest rate and term.

From the annual amortization table the factor for 5 years at 12% = .2774

$$\frac{8,150}{.2774} = \$29,380$$

If a greater amount is borrowed, the loan must be spread over a longer period or a larger residual must be developed to service the debt.

eg. The amortization factor for 10 years at 12% is .1770

$$\frac{8,150}{.1770} = \$46,045$$

In calculating the residual for debt servicing, realistic prices and costs must be used. The above calculation is only an estimate of debt servicing capacity. To accurately assess the situation a detailed cash flow projection must be prepared. Also, this example includes no depreciation charges. In the long run, these charges must be accounted for.

Calculation of Risk Level

Percent annual debt repayment to farm cash income is one measure of risk. Using this measure, researchers at Cornell University suggest the following classification of risk levels for multiple enterprise farms.

Under 15% - low risk
15% - 25% - safe venture
25% - 30% - dangerous
over 30% - usually serious trouble

With the following assumptions, a risk level can be calculated for a projected situation.

Existing debt principal payments	$ 8,400
Existing debt interest payments	9,857
Projected residual principal and interest payments	8,150
	$ 26,407

Total principal and interest $\frac{\$26,407}{108,166} = 24.4\%$

Using the Cornell University standard the result of this calculation indicates it is a safe venture, however this is an estimate only and it is no substitute for a cash flow.

These figures are guidelines only and depend on the type of enterprise involved, the risk of income variation and the level of cash flow of the business.

The Five C's of Credit

Financing with borrowed funds involves a lending agency or an individual. The lender has basic considerations known as the five C's of Credit and they include capacity, character, capital, conditions and collateral

Capacity:

- The lender evaluates the financial capacity in the same manner as the borrower. At the same time he evaluates the capacity of the borrower to manage and repay the additional capital.

Character:

- The lender considers the reputation of the borrower for handling obligations and meeting commitments. This is an important factor when a lender studies a loan application.

Capital:

- This is the amount of equity the individual has in the farm. The consideration is to determine if there is enough equity to cover the loan in the event the borrower is unable to make payments. The more risk there is in the venture the greater the emphasis that will be placed on this requirement.

Conditions:

- The lender is interested in knowing the general conditions of the industry as well as the condition of the individual business to which the money is being lent. Knowledge factors like production capability, the management ability and the market in which the business is operating are required by the lender.

Collateral:

- The lender requires security in the form of a mortgage, debenture, chattel mortgage or Section 178 in return for the funds that are being borrowed.

Some Principles of Sound Credit Use

1. Use credit for productive purposes only. Loans should be made for purposes which will increase farm income. Consumer loans are not part of business credit.

2. Limit borrowing potential for enterprises that you do not fully understand. First prove yourself before expanding through the use of borrowed funds.

3. Keep debts as low as possible without reducing your efficiency. To reduce risks use loans for purposes that will bring the largest return per dollar invested and will do so in the shortest time.

4. Study farm price level trends. Estimate your ability to pay interest and repay principal on a realistic and sound basis.

5. Keep debt in line with repayment capacity not total capital investment.

6. Keep debts in line with probable income. Estimate your cash income for the ensuing year; subtract from this figure your estimate of cash expenses; the balance represents the amount left for family living expenses, income tax, replacing depreciable assets, and for debt payments.

7. Shop around for credit when making a large capital purchase. Select a lender who knows your business and is willing to make necessary adjustments in distressed times.

8. Arrange for total credit requirements with the bank well in advance of need for funds.

9. Have a definite repayment program.

10. Be businesslike, frank and fair with the lender. Meet loan payments promptly. Whenever you are unable to do so, discuss your situation as far in advance of the due date as possible, be prepared to say just what you can do and then do it.

11. Have adequate insurance for added risks. Property, liability and life insurance are a partial protection against borrowing risks. Ordinary life insurance offers cheap protection for the farm family with a substantial debt; term life insurance also provides some decided advantages at minimum cost.

12. Be a good manager. Most managers will use the management ability of the borrower as a criteria at loan evaluation.

13. Prepare the background information necessary to support your loan application such as net worth statement, balance sheet, past and projected income statement and cash flow budget.

14. Keep the term (or life) of the loan in line with the expected life of the assets. Buying land on a five year loan or a farm truck with operating credit will play havoc with your cash flow and expose you to excessive risk.

15. Ensure your operating loans revolve.

Steps in Preparing a Credit Proposal

1. Assess the alternatives.

   - Use borrowed funds in most profitable way.
   - Use the partial budget for a quick assessment of the profitability of minor changes in the farm business.

2. Write down exactly what the money will be used for. Provide the lender with a clear, concise short explanation of the proposal.

3. Document your present position.

   - Prepare a Net Worth Statement, outlining assets, liabilities and the amount of equity which you have in the business.

   - Net Worth Statement tells the lender:
     - type of assets and liabilities;
     - amount of assets and liabilities;
     - amount of equity;
     - financial strength of the business.

4. Document your income potential.

   - From last year's Income Statement, prepare an Income and Expense Budget for one or two years in the future.

5. Assess your cash position for the coming years.

   - This is shown by the Cash Flow Statement.
   - Outlines the need for operating capital.

6. Discuss the proposal with your lender.

   - Be business-like.
   - Be prepared (do your homework).
   - Develop his confidence by being confident.

Agricultural Debt - Recent Trends

Over the decade 1971 - 1981, the farm debt in Canada increased well over four times. Between 1971 and 1976 the farm debt more than doubled and between 1976 and 1981 it more than doubled again. Table 1 indicates that total farm investment declined from 1981 - 1984, however, farm debt continued to increase.

In British Columbia, farm debt increased from $335 million in 1971 to $707.4 million in 1976 and to $1,432.6 million in 1984.

Farm Capital value increased from $1,594.3 million in 1971 to $3,602.5 million in 1976, to $8,063.6 million in 1984.

The result of these two trends was a reduction in the ratio of debt to investment (net capital ratio) from 21% in 1971 to 18% in 1984. This decline was due to the fact that the market value of assets increased at a greater rate than the debt. This is detailed in Table 1.

Table 1

Comparison of Farm Investment, Farm Debt and Farm Equity in British Columbia: 1971, 1976, 1981 and 1984.
(millions of dollars)

Year	Farm Investment	Farm Debt	Farm Equity	Debt Equity Ratio	Debt as % of Invest.	Equity as % of Invest.
1971	$1,594.3	$ 335.0	$1,259.3	.27	21%	79%
1976	$3,602.5	$ 707.4	$2,895.1	.24	20%	80%
1981	$8,532.1	$1,373.8	$7,158.3	.19	16%	84%
1984	$8,063.6	$1,432.6	$6,631.0	.22	18%	82%

Source: Statistics Canada, Cat. 21-202

Table 2

Capital Value of Farms in British Columbia
1971, 1976, 1981, 1984
(millions of dollars, as a % of total)

Year	Land & Buildings		Machinery & Equipment		Livestock & Poultry		Total
1971	1,293.3	81%	163.2	10%	137.8	9%	1,594.3
1976	3,051.6	85%	346.5	10%	204.4	5%	3,602.5
1981	7,261.0	85%	693.4	8%	577.7	7%	8,532.1
1984	6,746.7	83%	784.1	10%	532.8	7%	8,063.6

Source: Statistics Canada, Cat. 21-202

Over the past thirteen years chartered banks have increased their share of the credit market. Government sources and private individuals have increased the amount of credit offered but constitute a reducing percentage of annual funds outstanding. Table 3 summarizes the sources of credit by year since 1970 including the market share achieved by each group.

Table 3

OUTSTANDING FARM DEBT IN BRITISH COLUMBIA CLASSIFIED BY LENDER
(thousands of dollars, as a % of total)

Year	Chartered Banks		Government Agencies		Credit U. Trust & Loan Co.		Private & Others		Total
1971	65,000	20%	89,463	28%	14,467	4%	156,036	48%	324,966
1972	75,000	22%	90,598	27%	18,434	5%	160,115	46%	344,147
1973	94,000	24%	99,759	25%	19,802	6%	177,879	45%	391,440
1974	137,000	28%	120,573	25%	27,139	5%	204,795	42%	489,507
1975	190,000	31%	134,155	22%	27,162	5%	259,886	42%	611,203
1976	247,000	35%	141,595	20%	32,922	5%	285,872	40%	707,389
1977	318,000	39%	144,217	17%	40,973	5%	316,961	39%	820,151
1978	400,000	42%	146,624	15%	57,921	6%	351,534	37%	956,079
1979	558,000	48%	155,662	13%	78,996	7%	370,435	32%	1,163,093
1980	672,000	51%	165,993	13%	88,521	7%	385,966	29%	1,312,480
1981	750,000	55%	176,461	13%	128,032	9%	319,296	23%	1,373,789
1982	744,000	52%	192,979	13%	139,326	10%	356,706	25%	1,433,011
1983	727,000	51%	214,834	15%	148,383	10%	343,422	24%	1,433,639
1984	736,000	51%	209,109	15%	149,906	10%	337,623	24%	1,432,638

Source: Statistics Canada, Cat. 21.202

GOVERNMENT PROGRAMS

Agricultural Credit Act Loan Guarantee Program

Purpose:
To provide credit for viable farm enterprises that have previously been unable to obtain credit from a commercial lender because of:

a) insufficient loan collateral;
b) insufficient farm equity;
c) unfamiliarity of the lending institution with the applicant or the proposed agricultural enterprise.

Eligibility:
Loans must relate to the farm business and can involve establishment, development, or operation. Debt consolidation also qualifies; construction of a new farm home or purchase of production quota does not. Individuals, legally constituted farm partnerships, farm corporations and co-operatives can apply. The individual farm operator must be a Canadian citizen or landed immigrant, 19 years of age or older. He or she must reside in B.C. for the full term of the loan.

For a farm corporation to qualify for a loan guarantee, at least 66.6% of the voting shares must be owned by Canadian residents and 51% of the shares must be owned by residents of B.C. Furthermore, it is required that a major shareholder of the corporation be actively engaged in the daily management and operation of the farm. The farm to which the guarantee applies must be either:

a) classed as a farm under the B.C. Assessment Act; or,
b) the subject matter of a lease, licence, permit, or sale given or made under an enactment of the Province or Canada for the purpose of producing food.

No guarantee will be provided to:

a) proprietorships where the family's total annual non-farm net cash income exceeds $50,000;
b) partnerships where any partner's annual non-farm family income exceeds $50,000; or,
(c)corporations with an annual non-farm income exceeding $50,000.

Form of Assistance:
Provincial Government guarantee of loans through Chartered Banks or Credit Unions at a maximum cost of the prime lending rate plus one percent.

Terms:
The farmer must demonstrate to the lender and the Agricultural Credit Branch (B.C. Ministry of Agriculture and Fisheries) the ability to generate a positive cash flow within a reasonable period of time.
The maximum total of loans to a single farm operation to be guaranteed by the program is $300,000.
The repayment term must, in the judgment of the Lender and the Province, suit the purpose of the loan.

The repayment schedule of a guaranteed loan can be established on a basis most appropriate to the production cycle of the commodity involved.
The recipient of a Guaranteed loan may not borrow any further funds with respect to the lands and premises occupied by him without the consent of the B.C. Ministry of Agriculture and Fisheries.

Contact:
Agricultural Finance Branch
B.C. Ministry of Agriculture and Fisheries
808 Douglas Street
Victoria, B.C.
V8W 2Z7
Telephone: 387-5121

Agricultural Land Development Assistance

Purpose:
A long term low interest loan program to help farmers further develop agricultural land.

Eligibility:
Must qualify under the provisions of the Agricultural Credit Act.
The program is open to individuals, partnerships and non-public corporations.
Applicants must:
a) be 19 years of age or older;
b) provide evidence that the farm property taxes are current;
c) demonstrate adequate earning capacity to service the total farm loan portfolio including the Agricultural Land Development Assistance; and,
d) have a registered interest in the land being improved or be an occupier of Crown land where the lease or license to such land includes a right to purchase.

Individuals applying on behalf of a corporation must be major shareholders and actively engaged in the day-to-day operation and management of the farm. The land being developed must have farm classification, or be the subject matter of a lease, license, permit or sale given or made under an enactment of the Province or Canada for the purpose of producing food.

Form of Assistance:
a) clearing, piling and burning of native vegetation;
b) land preparation up to the seedbed stage;
c) on farm roads, levelling, dykes, dams and water-storage reservoirs;
d) Engineering approved manure-storage reservoirs;
e) domestic and livestock water pumping and conveyance systems excluding plumbing inside any building other than the pumphouse;
f) approved complete irrigation and drainage systems, whether such are first-time systems or for the upgrading or replacement of existing systems where increased productivity or reduced costs can be identified;
g) well-drilling for farm water supply.

Where a farm development plan has been approved by the Minister the following additional work and materials may be covered by contract:

a) improvements on Crown rangeland where applicant tenure can be verified and loan security can be taken on deeded land;
b) deeded rangeland improvement;
c) fruit tree removal;
d) removal of undesirable varieties of grapevines;
e) major soil erosion control and lime application in the Peace River area; and,
f) Special Orchard Renovation Program.

Terms:
The loan is repayable over a period of 15 years.
The interest rate will remain fixed throughout the term of the loan and be at one half (1/2) the average prime bank rate which is determined each April 1st and October 1st.
The interest rate is established when the contract is issued.
Total loans outstanding at any one time to any farmer may not exceed $35,000 per single farm unit.
A statutory charge is placed on land being improved as security for the loan.

Contact:
For further details and application forms contact the District Agriculturist or Horticulturist at your local office of the B.C. Ministry of Agriculture and Fisheries (Appendix A).

Asparagus Production Incentive Program

Purpose:
To assist farm operators with the establishment of additional acreage for the production of asparagus, through a reduction in loan interest costs on eligible loans.

Eligibility:
To be eligible for assistance a farmer must:
a) be a member in good standing of the B.C. Asparagus Growers' Association;
b) qualify for financial assistance under the provisions of the Agricultural Credit Act (outlined below).

Individuals, partnerships, farm corporations and co-operatives can apply. The individual farm operator must be a Canadian citizen or landed immigrant, 19 years of age or older. He or she must reside in B.C. for the full term of the loan.

For a farm corporation to qualify for the program, at least 66.6% of the voting shares must be owned by Canadian residents and 51% of the shares must be owned by residents of B.C. Furthermore, it is required that a major shareholder of the corporation be actively engaged in the daily management and operation of the farm.

The farm to which the program applies must be either:
a) classed as a farm under the Assessment Act; or,
b) the subject matter of a lease, license, permit, or sale given or made under an enactment of the Province or Canada for the purpose of producing food.

The program will not apply to:
a) proprietorships where the family's total annual non-farm cash income exceeds $50,000;
b) partnerships where any partner's annual non-farm family income exceeds $50,000; or,
c) corporations with an annual non-farm income exceeding $50,000.

Form of Assistance:
The program will reimburse all, or a portion of, the interest paid in the calendar year on loans contracted (in the planting year through approved lenders) for the purpose of establishing new asparagus production.

The loan size eligible for reimbursement is based on a maximum of $500 per acre. Reimbursement of interest will consist of 100% of the interest costs in the first and second calendar years of the loan contract, 75% of the interest costs in the third calendar year of the contract and 50% of the interest costs in the fourth calendar year of the loan contract. The interest rate applied to the reimbursement will be the lesser of the actual interest rate contracted by the farmer or the chartered bank's annual average interest rate plus one percent.

Terms and Conditions:
The farm operator agrees to cultivate asparagus on a minimum of five acres for a term of not less than ten years, unless by mutual agreement between the authorized representative of the Ministry of Agriculture and Fisheries and the farm operator. There will be no maximum eligible acreage for which an individual farm operator may qualify for benefits under the program.

To be eligible for benefits, the applicant must complete a farm plan approved by the Ministry of Agriculture and Fisheries, clearly identifying those cultural practices which are projected to be followed together with the variety of asparagus which will be planted on the acres to be approved. The approved farm plan must be followed to maintain benefits through this program. The farm operator agrees to cooperate with the B.C. Asparagus Growers' Association and the B.C. Ministry of Agriculture and Fisheries staff in making inspection of eligible acres and to confirm that the farm plan is being followed.

The farm operator must provide, to the B.C. Asparagus Growers' Association, not later than October 31 each year, confirmation that:
a) acreage brought into asparagus production through this program remains in production; and,
b) that the approved farm plan is being followed.

Loans for which benefits of this program apply should be contracted by farm operators with the approved lender of their choice with the view of negotiating the best terms and conditions relative to their individual circumstances and capability of securing such loans under the normal lending guidelines of the approved lender. If deemed necessary, approved lenders may apply for loan guarantee under provisions of the Agricultural Credit Act.

Contact:
For further information contact:
British Columbia Asparagus Growers' Association
P.O. Box 617
Armstrong, B.C. V0E 1B0

Agricultural Finance Branch
B.C. Ministry of Agriculture and Fisheries
808 Douglas Street
Victoria, B.C.
V8W 2Z7
Telephone: 387-5121

Application forms are available from offices of the B.C. Ministry of Agriculture and Fisheries (Appendix A).

Farm Improvement Loans Act

Purpose:
The Farm Improvement Loans Act, a Federal program, encourages chartered banks, or other designated lenders, such as credit unions, caisse populaires, and trust companies to provide short and intermediate term credit to Canadian farm operators.

Eligibility:
Full time Canadian Farm operators (of at least 19 years of age) who are in possession of a farm.

N.B.: Refinancing of existing debts, purchase of marketing quotas, or working capital requirements are not eligible purposes.

Form of Assistance:
Loans are made for purchase of agricultural implements, purchase of livestock, repairs to farm buildings, additional land purchases and other projects for farm improvement and development.

Terms:
The applicant must provide 25 percent of implement and equipment costs and 10 percent of land and building costs. The maximum total of loans under this program is limited to $100,000 per farmer. Repayment terms are maximum 15 years for additional land and 10 years for any other kind of asset. The interest rate is set at one percent over the prime lending rate of the lender.

Loans must be secured.

Contact:
A farmer who is seeking assistance should discuss his/her financial requirements with the manager of a designated lending agency of his/her choice and specifically request a loan under the Farm Improvement Loan Act.

Greenhouse Assistance Program

Purpose:
This program is designed to contribute to the growth and development of the British Columbia greenhouse industry by encouraging greenhouse operators to adopt new technology that will improve the economic efficiency of their facilities.

Eligibility:
Individuals, legally constituted partnerships, farm corporations and co-operatives can apply. The farm operator must be at least 19 years of age, a citizen or permanent resident of Canada, and a resident of British Columbia.

In the case of a farming corporation, it must be registered in British Columbia, at least two-thirds of the voting shares must be owned by Canadian citizens, 51% of the shares must be owned by residents of British Columbia, and a major shareholder in the corporation must be actively engaged in the daily management and operation of the farm.

No grant will be given to:
a) proprietorships where the family's total annual non-farm cash income exceeds $50,000;
b) partnerships where any partner's annual non-farm family income exceeds $50,000;
c) a corporation which has an annual non-farm income exceeding $50,000, less any costs incurred in generating that revenue except personal drawings, depreciation or income taxes; or,
d) a public corporation or tax supported institution.

Form of Assistance:
Grant. For approved capital projects the program will reimburse up to one third of the initial $75,000 in expenditures and 15% of the next $100,000. The maximum grant to each operation is $40,000. More than one project can be included in each application and grant.

Grants are available for the purchase and installation of materials for the following:
a) a second layer of glazing to a greenhouse;
b) a stack heat recovery system;
c) a carbon dioxide enrichment system;
d) insulation of heating pipes, gable walls, end walls, and perimeter of a greenhouse;
e) permanent thermal blankets or energy curtains;
f) high efficiency supplementary lighting;
g) environmental and irrigation control micro-processor systems;
h) upgrading to, or purchase of, a high efficiency heating system;
i) purchase of, or conversion to, a heating system utilizing alternate heat sources, such as wood waste, geothermal heat, industrial waste heat, solar heat, or an earth thermal storage heating system;
j) movable benches or transportation system within the greenhouse;
k) automated grading system;
l) a maximum $1,000 fee to professional consultants for the selection and design of an eligible project.

Terms:
Operators agree to supply the Ministry with production, sales, input and cost information for three years after assistance is received.
A project must have an economic life of at least five years.
Grants must be used for those projects that will convey the highest economic benefit to the greenhouse operation.
The purchase, construction, or installation of a project must not have commenced prior to application.
Charges for the labour of the farms' operator or permanent employees are not eligible project expenses.
The greenhouse to which the project is being added must be on land which is classed as a farm under the B.C. Assessment Act.
A greenhouse is defined as a structure being covered with transparent glazing material, contains positive heating and environmental controls and is used for the production of food or horticultural crops.
Following completion of the project the greenhouse must have a minimum floor area of 1,000 square meters.
In the year prior to application, minimum annual gross sales from the greenhouse(s), (and/or value added to the crops) must exceed $25,000. New producers must project minimum gross sales (and/or value added to the crops) of $25,000, in the year following project completion.
The operator must purchase and install material for an approved project from his/her own finances; following a successful inspection, the grant will be issued.

Contact:
For further information contact:

Agricultural Finance Branch
B.C. Ministry of Agriculture and Fisheries
808 Douglas Street
Victoria, B.C.
V8W 2Z7
Telephone: 387-5121

Application forms are available from offices of the B.C. Ministry of Agriculture and Fisheries (Appendix A).

Partial Interest Reimbursement Program

Purpose:
To protect farmers from fluctuations in interest rates.

Eligibility:
Interest paid on loans relating to the farm business. Eligible credit sources are Chartered Banks, Credit Unions, Federal Business Development Bank, Farm Credit Corporation and the Western Indian Agricultural Corporation Ltd.
Applicants must qualify for assistance under provisions of Agriculture Credit Act.

Form of Assistance:
Cash rebate to a maximum of $10,000 per farm operation.

Terms:
To qualify the rate of interest paid by the farmer must be higher than the reimbursement level of interest established by the B.C. Ministry of Agriculture and Fisheries.
Applications for partial interest reimbursement of interest paid in the previous calendar year on eligible loans must be post marked on or before May 31st.

Calculation of Reimbursement:
The reimbursement level, based on the average chartered bank prime rate, is established after Dec. 31 each year.
From applications received after Dec. 31 each year, a weighted average interest rate is calculated for each of the three loan categories reported on the application form. The difference between this calculated average and the reimbursement level determines the maximum benefits to the applicant.

Contact:
Agricultural Finance Branch
B.C. Ministry of Agriculture and Fisheries
808 Douglas Street
Victoria, B.C.
V8W 2Z7
Telephone: 387-5121

or

Your local office of the B.C. Ministry of Agriculture and Fisheries (Appendix A).

Lending Institution	*Bank of *B.C.	*Bank of *Nova Sc.	*Bank of *Montreal	*Bank of *Commerce	*Toronto *Dominion	*First Herit* Savings
Loan Program Name	*Westbank *AgriPlan	*Farm *Services	*Farm *Mortgage	*Farm *Services	*Farm *Loan	*Farm *Lending
LOAN AMOUNT:						
Minimum	*	* 25,000	*	*	* 25,000	*
Maximum (Individual)	*500,000	*	*	*	*	*
Max.(Part., Corp.)	*	*	*	*	*	*
TERMS:						
Fixed Interest Rate Term	* Yes	* Yes	* Yes	* Yes	* Yes	* Yes
No. of Years Rate Fixed	* 1 to 5	* 1 to 5	* 1 to 5	* 1 to 5	* 1 to 5	* 1,2,3
Floating rates	* Yes	* Yes	* Yes	* Yes	* Yes	* Yes
Max. Amortization, Loan	* 25 yrs.	* 25 yrs.	* 25 yrs.	* 25 yrs.	* 25 yrs.	* 25 yrs.
Max. Amort., Debt Cons.	* 25 yrs.	* 25 yrs.	* 25 yrs	* 25 yrs.	* 25 yrs.	* 25 yrs.
PRINCIPAL PREPAYMENT (fixed term):						
Allowed	* Yes	* Yes	* Yes	* Yes	* Yes	* Yes
Conditions	* 2#	* 1#	* 7#	* 3#	* 8#	* 3#
Max. % without penalty	* 20%	* 10%	* 10%	* 10%	* 10%	* 10%
At Any Time	*	* Yes	* Yes	*	* Yes	*
At Payment Date	* Yes 2#	*	* Yes 7#	*	*	*
At Renewal Date	* Yes	*	*	* Yes	*	* Yes
At Anniversary Date	* Yes	* Yes	*	* Yes	*	* Yes
SECURITY:						
Loans Limited to __% of Land and Building Value	* 75%	* 75%	* 75%	* 75%	* 70%	* 75%
B.C. RESIDENCY REQUIRED:	* N/A	* N/A	* N/A	* N/A	* N/A	* N/A

FOOTNOTES

Particulars of the General Summary of Long Term Financing Available to Farmers in B.C.

#1 On the anniversary date, up to 10% of the original principal can be prepaid without penalty. Any additional prepayments are permitted only after the lock-in period and subject to a three month interest penalty.

Term (years)	Lock-in Period
1	3 months
2	1 year
3	2 years
4	3 years
5	3 years

#2 On the anniversary date up to 20% of the original principal can be prepaid without penalty. It is also possible to prepay up to 20% of the original principal amount by increasing monthly payments for a year. Prepayments beyond the 20% are subject to penalty.

FINANCING AVAILABLE TO FARMERS IN BRITISH COLUMBIA

*Royal *Bank *Royfarm *fixed rt	*Royal *Bank *Royfarm *Variable	*Credit *Union *Farm *Lending	*Farm Cr. * Corp. *Standard	*Farm Cr. * Corp. *Shared- * Risk	*Farm Cr. * Corp. *Begin- *ing Farm	*Farm Cr. * Corp. *Syndi- * cate	*A.L.D.A. *	*F.B.D.B. * Farm *Mortgage
* 50,000								
* 2 Mil.			* 350,000	* 350,000	* 200,000		* 35,000	
* 2 Mil.			* 600,000	* 600,000	* 300,000	* 100,000		
* Yes	* No	* Yes	* No	* No	* No	* No	* No	* Yes
* 1,3,5	* N/A	* 1 to 3	* 5 to 20	* N/A	* 5	* 5,10,15	* 15	* 1 to 5
* N/A	* Yes	* Yes	* No	* Yes	* No	* No	* No	* Yes
* 25 yrs.	* 25 yrs.	* 25 yrs.	* 29 yrs.	* 29 yrs.	* 29 yrs.	* 15 yrs.	* 15 yrs.	* 15 yrs.
* 25 yrs.	* 25 yrs.	* 25 yrs.	* 29 yrs.	* 29 yrs.	* 29 yrs.	* N/A	* N/A	* 15 yrs.
* Yes	* Yes	* Yes	* Yes	* Yes	* Yes	* Yes	* Yes	* Yes
*3# & 4#	* None	* #3	* #5	*	* #5	*	*	* #6
* 10%	*no limit	* 10%	* 1 inst.	*no limit	* 1 inst.	*	*no limit	* 0%
*	* Yes	* Yes	* Yes	* Yes	* Yes	*	* Yes	* Yes
*	*	*	*	*	*	*	*	*
* Yes	*	*	*	*	*	*	*	*
* Yes	*	*	*	* Yes	*	*	*	*
* 75%	* 75%	* 75%	* 100%	* 100%	* 100%	* 80%	* 80%	*flexible
* N/A	* N/A	* N/A	* N/A	* N/A	* N/A	* N/A	* Yes	* N/A

#3 On the anniversary date, up to 10% of the original principal can be prepaid without penalty. Prepayment in excess of the 10% is subject to penalty.

#4 For the five year term, principal prepayment is not possible for the first and second years of the loan.

#5 Principal prepayment, up to the amount of one annual installment, is allowed. Prepayment in excess of this amount is subject to a three month interest penalty.

#6 For the first five years of a loan, principal prepayment of any amount includes a three month interest penalty. For loans over five years principal prepayment involves a penalty based on the differential of interest rates.

#7 Up to 10% of the original principal can be prepaid, per year, at any time, without penalty. A borrower also has the option of increasing mortgage payments by 10% for a year. Prepayment in excess of 10% is subject to a three month interest penalty.

#8 Up to 10% of the original principal can be prepaid without penalty; at any time, once a year. Additional prepayment is subject to the greater of a three month interest penalty; or an interest differential penalty.

DESCRIPTIONS OF LONG-TERM CREDIT SOURCES FOR FARMERS IN B.C.

Bank of British Columbia

Purpose:
To provide loans for capital purchases, major improvements and developments, and debt consolidation.

Amount of Loan:
No fixed maximum with the floating rate; $500,000 maximum for fixed rate mortgages.

Terms:
Interest rates are established at the time the loan is negotiated. Floating and fixed interest rates are offered. The floating rate is based on the bank's prime; fixed term mortgages are based on residential rates. The maximum amortization period for building projects is 15 years; and 25 years for land purchases.
There is no penalty for principal repayment of floating rate loans. For a loan with a fixed rate up to 20% of the original principal amount can be prepaid by either:
a) making a lump sum payment on the anniversary date; or,
b) by increasing monthly installments for one year.
Prepayment of the total loan amount involves a penalty of $500 plus the bank's loss of income based on the differential interest rate.

Security:
A first mortgage on farm property is normally required as security and a second mortgage may be allowed.

Available to:
Farmers and ranchers able to provide sufficient security, satisfactory management and repayment ability.

Other Conditions:
Accredited appraisal of property used for collateral mortgage security is normally a requirement.

Farm loans qualify for the Partial Interest Reimbursement Program.

Apply to:
A local branch of the Bank of British Columbia.

Bank of Montreal

Purpose:
To finance the purchase of agricultural land and buildings, major capital improvements, and to restructure existing debt.

Amount of Loan:
No fixed maximum. Loans are negotiated on the basis of the appraised property value and the farm's repayment capacity.

Terms:
Fixed and floating rates are offered. The fixed rate terms are from one to five years in duration. Loans may be amortized over periods of up to twenty-five years with repayment on a monthly, quarterly, semi-annually or annual basis.

a) Floating rate loans may be repaid at any time in any amount without penalty.
b) Fixed Rate Mortgages - a borrower may repay principal by either:
   - Making a lump sum payment once a year of up to 10% or the principal balance at any time of the year or,
   - Increasing mortgage payments by 10%. Payments can be increased by 10% or decreased by 10% once a year. In the case of a decrease, the mortgage must still be repaid within the original amortization period. Prepayment in excess of 10% is subject to a three month interest penalty depending upon the original term of the mortgage.
c) Fixed Rate Mortgages may be renewed at the current rate of interest up to six months before the expiry date of the mortgage. The cost is the normal renewal fee and the interest rate differential, if any, between the present rate of the mortgage and the renewal rate.

Security:
A first mortgage on farm property is normally required as security. A second mortgage may be allowed in some cases.

Available to:
Farmers and ranchers able to provide sufficient security, satisfactory management, and adequate repayment capacity.

Other Conditions:
Creditor insurance is available up to $600,000 per individual. This covers life, dismemberment, disability and in some cases, property loss. Farm loans qualify for the Partial Interest Reimbursement program.

Apply To:
A local branch of the Bank of Montreal.

Bank of Nova Scotia

Purpose:
To finance the purchase of agricultural land and buildings, major capital improvements, and to restructure existing debt.

Amount of Loan:
No fixed maximum, loans are negotiated on the basis of security and cash flow.

Terms:
Fixed term and floating interest rates are available. Floating rates move with the bank's prime rate. Fixed term rates are offered for periods of one to five years.
The maximum amortization period for loans is 25 years.

Floating rate loans can be prepaid, without penalty, at any time. For fixed rate loans up to 10% of the original principal can be prepaid, without penalty, on the loan anniversary. Additional prepayment is permitted only after the lock-in period (outlined below) and subject to a three month interest penalty.

Term	Lock-In
1 year	3 month
2 years	1 year
3 years	2 years
4 years	3 years
5 years	3 years

Security:
A first mortgage on farm property is normally required as security and a second mortgage may be allowed.

Available To:
Farmers and ranchers able to provide sufficient security, satisfactory management and repayment ability.

Other Conditions:
Property, life and crop insurance is recommended. Farm loans qualify for the Partial Interest Reimbursement Program.

Apply to:
A local branch of the Bank of Nova Scotia.

Canadian Imperial Bank of Commerce

Purpose:
To provide loans for the purchase or improvement of farm land, building construction and renovation, and debt consolidation.

Amount of Loan:
No fixed maximum, the limit is determined by debt-servicing capacity and the security offered.

Terms:
Fixed and floating interest rates are available. Fixed rate terms of one to five years are offered.
Loans may be amortized over periods of up to 25 years with repayment on a monthly, quarterly, semi-annually, or annual basis.
Up to 10 percent of the original principal can be prepaid on the loan anniversary, without penalty. Principal prepayment in excess of 10 percent, or prepayment made at other than the anniversary date, may be subject to an interest penalty, based on the remaining term and other conditions.

Security:
Security on a viable loan can be increased up to the bank's required level by use of the Agricultural Credit Act Loan Guarantee Program. The bank can also provide financing in excess of the 75% appraised property value with a debenture in place when back-up security is available.

Available to:
Farmers and ranchers able to provide sufficient security, satisfactory management and repayment ability.

Other Conditions:
Accredited appraisal on land in question may be required to determine sufficiency of applicant's equity. Life insurance is available up to $750,000 per individual. Farm loans qualify for the Partial Interest Reimbursement Program.

Apply to:
A local branch of the Canadian Imperial Bank of Commerce.

Royal Bank of Canada

Purpose:
Royfarm mortgage loans are available for the purchase of land and buildings, major permanent improvements to property, machinery and equipment purchase, and (where appropriate) debt consolidation.
A borrower has the option of either: fixed or variable rates.

1) Royfarm Fixed Rate Mortgages:

Amount of Loan:
A maximum of two million dollars is normal but greater amounts are available on a selective basis.

Terms:
Interest terms of one, three, or five years are available. Mortgages can be extended at maturity for another term at the current interest rate and term options. Conversion to a variable rate mortgage is subject to prepayment conditions on the existing mortgage. Loans may be amortized for a period of between 5 and 25 years with a monthly, quarterly, semi-annually or annual repayment schedule.
For the one and three year terms, principal prepayment, to a maximum of 10 percent of the original principal amount, is allowed without penalty on the anniversary date. Prepayment in excess of 10 percent is subject to a three month interest penalty.
With the five year term no principal prepayment is possible for the first and second years.

Security:
Loans are provided for up to 75% of the lesser of the appraised property value or the sale price. Additional mortgage security can be taken on other property if equity is insufficient.

Available to:
Farmers and ranchers able to provide sufficient security, satisfactory management and repayment ability.

Other Conditions:
Appraisals may be requested and will usually be paid for by the bank. There is a processing fee on all loan applications. Farm loans qualify for the Partial Interest Reimbursement Program. Life insurance is available.

Apply to:
A local branch of the Royal Bank of Canada.

2) Royfarm Variable Rate Mortgage

Amount of Loan:
No fixed maximum, loans up to 75% of the lesser of appraised value or sale price.

Terms:
Interest rates are established at the time the loan is taken out and vary with the bank's prime rate. Combined interest and principal payments are fixed for a three year period. The loan can then be renewed for a further three year period with appropriate payment adjustments to reduce the mortgage balance in line with the original amortization period.
Conversion to a fixed rate mortgage can be made at any time using the same mortgage security and land registration. The service is provided for an all-inclusive fee of $150.00.
Loans may be amortized for up to 25 years and this period is reduced by 3 years at the end of each term. Payments can be made monthly, quarterly, semi-annually or annually.
Payments are first applied against the outstanding interest and the residual amount is applied against the balance of principal. Principal prepayments of any amount can be made at any time without penalty.

Security:
The same security is required as for the Royfarm Fixed Rate Mortgages.

Available to:
Farmers and ranchers able to provide sufficient security, satisfactory management and repayment ability.

Other Conditions:
As per Royfarm Fixed Rate Mortgages.

Apply to:
A local branch of the Royal Bank of Canada.

Toronto Dominion Bank

Purpose:
To provide loans for the purchase or improvement of farm land, building construction and renovation, and debt consolidation.

Amount of Loan:
Loans are granted on the basis of repayment ability. The minimum is $25,000 and there is no maximum.

Terms:
Interest rates may be floating or fixed. Floating rates are based on the bank's prime rate. Terms of one to five years are available for fixed rate loans. Payments can be made on a monthly, semi-annually, or annual basis. The maximum loan amortization period is 25 years.
For fixed rate loans up to 10 percent of the original principal can be prepaid without penalty, at any time, once a year. Additional prepayment is subject to the greater of a three month interest penalty; or an interest differential penalty.

Security:
A first mortgage on farm property is normally required as security and a second mortgage may be allowed. Loans are limited to not more than 70% of the lesser of the appraised property value or the purchase price.

Available to:
Farmers and ranchers able to provide sufficient security, satisfactory management and repayment ability.

Other Conditions:
Life insurance is available for a line of credit up to $1,000,000. Farm loans qualify for the Partial Interest Reimbursement Program.

Apply to:
A local branch of the Toronto Dominion Bank.

Credit Unions

Purpose:
To provide loans for the purchase or improvement of farm land, building construction and renovation, and for debt consolidation.

Amount of Loan:
There are no set limits; the size of the loan will depend upon the past record of the borrower, available security, and repayment capacity.

Terms:
Floating and fixed interest rates are available. Floating rates are based on the prime rate of the local Credit Union. The maximum amortization period is 25 years.
Other aspects of credit terms are determined by each individual Credit Union.

Security:
Loans are provided on the basis of not more than 75% of the lesser of the appraised property value or the sale price. Additional mortgage security can be taken on other property if equity is insufficient.

Available to:
Farmers and ranchers able to provide sufficient security, satisfactory management and repayment ability.

Other Conditions:
Borrowers must be a member. Life and property insurance is recommended. Farm loans qualify for the Partial Interest Reimbursement Program.

Apply to:
A Credit Union with farm loan expertise.

First Heritage Savings

Purpose:
To provide loans for the purchase or improvement of farm land, building construction and renovation, and for debt consolidation.

Amount of Loan:
There are no set limits; the size of the loan will depend upon the past record of the borrower, available security, and repayment capacity.

Terms:
Fixed and floating rates are offered.
The floating rate moves in relation to the chartered bank's prime; principal prepayment is not subject to restriction or penalty.
Fixed rate terms of one, two and three years are offered. Principal prepayment to a maximum of 10% of the original principal is allowed without penalty, on the anniversary date. Prepayment exceeding 10% is subject to a three month interest penalty.
The maximum amortization period is 25 years. Payments can be made on a bi-weekly, monthly, quarterly, semi-annually, or annual basis.

Security:
Loans are provided on the basis of not more than 75% of the lesser of the appraised property value or the sale price. Additional mortgage security can be taken on other property if equity is insufficient.

Available to:
Farmers and ranchers able to provide sufficient security, satisfactory management and repayment ability.

Other Conditions:
Borrowers must be a member. Life and property insurance is recommended. Farm loans qualify for the Partial Interest Reimbursement Program.

Apply to:
A branch of the First Heritage Savings.

Federal Business Development Bank

Purpose:
Loans may be used for any sound Canadian business project.

Amount of Loan:
No fixed limits. Financing is available by means of loans, loan guarantees, equity financing, or by any combination of these.

Terms:
Two methods of interest payments are available: floating or fixed. The type of interest payment, and the rate, are established when the loan is authorized. Interest payments are required monthly, but principal payments may be varied to fit the income cycle.
Normally the repayment terms are from 4 to 15 years.
For the first five years of a loan, principal prepayment of any amount, includes a three month interest penalty. For loans over five years of age principal prepayment involves a penalty based on the interest rate differential.

Available to:
The Federal Business Development Bank will consider lending to businesses whose credit requirements are not readily available from other lenders at reasonable terms and conditions.

Other Conditions:
Farm loans qualify for the Partial Interest Reimbursement Program.

Apply to:
A local branch of the Federal Business Development Bank (Appendix B).

Farm Credit Corporation

1) Standard Loan

Purpose:
To help competent farmers develop viable farm units through the use of long term mortgage credit. Loans may be approved to:
(a) acquire farmland;
(b) make permanent improvements;
(c) purchase breeding stock and farm equipment;
(d) consolidate debt; or,
(e) any purpose that will facilitate the efficient operation of the farm.

Amount of Loan:
Current statutory limits are $350,000 for an individual and $600,000 for a farm business with two or more qualifying applicants. The Corporation's appraised value of available security and the applicant's need for F.C.C. funding will also be considered.

Terms:
Loans can be amortized over periods of 5 to 29 years. Interest rates can be fixed for terms of either 5, 10, 15 or 20 years. Prepayment of principal up to the amount of one annual installment, is allowed. Prepayment of principal in excess of this amount is subject to a three month interest penalty.

Security:
Loans are secured by a mortgage on real estate, and where necessary, on other assets.

Available to:
All applicants must be Canadian citizens or permanent residents and be of legal age. A plan of operation for the farm business is required, and the applicant must demonstrate that sufficient net income will be generated to meet living costs and all financial obligations. The applicant must be principally occupied in farming.

Other Conditions:
Life insurance is available under a group policy on a voluntary basis.
Farm loans qualify for the Partial Interest Reimbursement Program.

Advisory Services:
Credit advisors are available to provide planning, organization, and management advice to assist farmers in achieving their economic and personal goals.

Apply to:
The nearest office of the Farm Credit Corporation (Appendix C) for an interview.

2) Beginning Farmer Loan

Purpose:
To help competent farmers develop viable farm units through the use of long term mortgage credit. Loans may be approved to:
(a) acquire farmland;
(b) make permanent improvements;
(c) purchase breeding stock and farm equipment;
(d) consolidate debt; or,
(e) any purpose that will facilitate the efficient operation of the farm.

Amount of Loan:
The maximum Beginning Farmer Loan is $200,000 to an individual and $600,000 for a farm business with two or more qualifying applicants.
The appraised value of the available security is also considered.

Terms:
The interest rate is fixed for a term of five years. Loans can be amortized over periods of 5 to 29 years. Loan payments can be arranged on a monthly, semi-annually, or annual basis.
Principal prepayment is in accordance with the F.C.C. Standard loan.

Security:
Loans are secured by a mortgage on real estate, and where necessary, on other assets.

Available to:
All applicants must be Canadian citizens or permanent residents and be of legal age. A plan of operation for the farm business is required, and the applicants must demonstrate that sufficient net income will be generated to meet living costs and all financial obligations. Beginning farmers may retain off-farm employment while developing an economic farm business, providing farming becomes their principle occupation within five years. The applicant must operate the farm during the development period.

Other Conditions:
F.C.C. loans qualify for the Partial Interest Reimbursement Program.

Apply to:
The nearest office of the Farm Credit Corporation (Appendix C) for an interview.

3) Farm Syndicate Loan

Purpose:
To provide intermediate term loans to "syndicates" of three or more farmers to finance machinery, building improvements, and the installation of equipment which will be used co-operatively by members of the syndicate.

A Syndicate:
Is an association formed by an agreement in writing of three or more individuals, shareholders of a farming corporation, members of a co-operative, or any combination thereof, the majority of which have attained legal age, are Canadian citizens or permanent residents of Canada, and are principally occupied in farming.

Amount of Loan:
A syndicate may borrow up to 80% of the cost of items being financed by the loan, to a maximum of $100,000 or $15,000 per member, whichever is the lesser.

Terms:
A syndicate may take up to 15 years to repay a loan for buildings, building improvements and permanently installed equipment and up to 7 years for mobile machinery. Loans are repayable in equal annual or semi-annual instalments of principal plus interest. The interest rate is fixed for terms of 5, 10, or 15 years.

Security:
Loans are secured by a promissory note signed by the members of the syndicate. Additional security on chattels or a real property mortgage may be required.

Other Conditions:
F.C.C. loans qualify for the Partial Interest Reimbursement Program.

Apply to:
The nearest office of the Farm Credit Corporation (Appendix C) for an interview. To assist with the interview, please provide the credit advisor with a list of each syndicate member's assets and liabilities.

4) Shared Risk Mortgage

Purpose:
Loans are targeted for the same purposes as the F.C.C. standard loan. The shared risk mortgage allows a borrower to benefit from a decline in interest rate.

Amount of Loan:
As per F.C.C. standard loan.

Terms:
The shared risk mortgage has a six year term. The minimum amortization period is 5 years and the maximum is 29. Interest rates are adjusted annually, one-half of the annual decline or increase in the rate is applied to the loan (to a maximum increase of 2 1/2 percent over the six year term).
Borrowers have two options:
(a) the payment can remain the same for the entire six year term; or,
(b) the payment can be adjusted annually to correct for changing interest rates.
Where the payment size has been fixed the outstanding loan principal is either debited or credited to compensate for changing interest rates.
A borrower may convert the loan (on the anniversary date) to an F.C.C. standard loan.
Any amount of principal can be prepaid on the loan anniversary.

Security:
Loans are secured by a mortgage on real estate, and where necessary, on other assets.

Other Conditions:
F.C.C. loans qualify for the Partial Interest Reimbursement Program.

Apply to:
The nearest office of the Farm Credit Corporation (Appendix C) for an interview.

5) Commodity Based Loan Program

Purpose:
To make the servicing of debt easier for low equity farmers by charging a lower rate of interest and by relating the annual debt servicing costs to commodity prices.

Amount of Loan:
The program's primary goal is to refinance current low equity clients. Generally the limits of the other F.C.C. loan programs will apply.

Terms:
Commodity based loans will be offered for a 10 year term with payments based on a 20 year amortization period. Two options are offered: full indexing and partial indexing.
Clients with 40 percent or less equity may qualify for the full indexing option with which they pay an interest rate of six percent for a 10 year term. The principal balance is fully adjusted according to the percentage change in prices. If, for example, the selected commodity price(s) rose by five percent over the previous year's price(s) , the principal balance, and therefore the payment, would increase by five percent. If prices dropped by five percent, then the principal balance would fall by five percent, thus reducing the payment.

Clients with 55 percent or less equity may qualify for the partial indexing option. The interest rate for these loans is six percent plus half the difference between six percent and the Farm Credit Corporation's 10 year lending rate at the time the loan is approved. The principal balance is adjusted by 50 percent of the percentage change in prices. Assuming a five percent increase in prices from one year to the next, the principal loan balance would increase 2 1/2 percent. If prices fell by five percent, there would be a 2 1/2 percent reduction in the principal loan balance, triggering smaller payments.
A borrower may select up to two commodity prices or indices to be applied to the loan. If two are selected, they will each be given a 50 percent weighting in the calculation of the principal balance.
The prices or indices chosen must correspond to the main enterprise(s) of the farm business.
Commodity prices and indices will be provided by Agriculture Canada and Statistics Canada.

Available to:
Clients of the Farm Credit Corporation with between 20 and 55 percent equity in their farming businesses.

Apply to:
The nearest office of the Farm Credit Corporation (Appendix C).

Private Sources of Farm Credit

Private farm credit is defined as financing provided by supply companies, finance companies, retail and wholesale outlets, farm vendors and all other unclassified sources.
Although private farm credit in B.C. still accounts for nearly one quarter of the total debt, its significance has declined steadily since 1971 The amount of private credit peaked in 1980 and then declined sharply the following year. The amount of outstanding private credit depends upon the willingness of the various sources to extend funds, and the degree of competition from other lenders.

OUTSTANDING PRIVATE FARM CREDIT IN BRITISH COLUMBIA: 1971 to 1984.
(thousands of dollars)

Year	Total Farm Credit Outstanding	Private Farm Credit Outstanding	Private Farm Credit as a % of the Total
1971	324,966	156,036	48%
1972	344,147	160,115	46%
1973	391,440	177,879	45%
1974	489,507	204,795	42%
1975	611,203	259,886	42%
1976	707,389	285,872	40%
1977	820,151	316,961	39%
1978	956,079	351,534	37%
1979	1,163,093	370,435	32%
1980	1,312,480	385,966	29%
1981	1,373,789	319,296	23%
1982	1,433,011	356,706	25%
1983	1,433,639	343,422	24%
1984	1,432,638	337,623	24%

Source: Statistic Canada, Cat. 21-202.

APPENDICES

A. B.C. MINISTRY OF AGRICULTURE AND FISHERIES EXTENSION OFFICES

Abbotsford	#205 33780 Laurel Street	V2S 1X4	852-5211
Chilliwack	#5, 8635 Young Rd. S.	V2P 4P3	795-8395
Cloverdale	17720 - 57th Ave.	V3S 4P9	576-2911
Courtenay	#209, 420 Cumberland Rd.	V9N 5M6	334-1239
Cranbrook	#202, 135 - 10th Ave. S.	V1C 2N1	426-1535
Creston	456 N.W. Boulevard	V0B 1G0	428-3255
Dawson Creek	1201 - 103rd Ave.	V1G 4J2	784-2225
Duncan	238 Provincial Bldg.	V9L 1A5	746-6183
Fort St. John	201, 9711 - 100th Ave.	V1J 1Y2	787-3240
Kamloops	162 Oriole Rd.	V2C 4N7	828-4552
Kelowna	1873 Spall Rd.	V1Y 4R2	861-7211
Oliver	Court House, Box 940	V0H 1T0	498-6235
Prince George	R.R. #8, RMD 7	V2N 4M6	565-6466
Quesnel	#101 - 350 Barlow Ave.	V2J 2C1	992-4241
Salmon Arm	Samara Bldg., Box 639	V0E 2T0	832-1630
Smithers	Government Bldg., Bag 5000	V0J 2N0	847-7246
Summerland	Box 639, Penticton	V2A 6P1	494-0401
Vanderhoof	Church Ave., Box 987	V0J 3A0	567-2111
Vernon	4607 - 23rd St.	V1T 4K7	549-5580
Williams Lake	540 Borland St.	V2G 1R8	398-4500

B. FEDERAL BUSINESS DEVELOPMENT BANK OFFICES

Abbotsford	2467 Pauline St.	V2S 3S1	853-5561
Campbell River	1260 Island Hwy.	V9W 2C8	287-9236
Cranbrook	30 S. 11th Ave.	V1C 2P1	426-7241
Fort St. John	Ste. 200, 9900-100th Ave.	V1J 5S7	787-0622
Kamloops	235 First Ave.	V2C 3J4	374-2121
Kelowna	260 Harvey Ave.	V1Y 7S5	762-2035
Langley	20316-56th Ave. #101	V3A 3Y7	533-1221
Nanaimo	190 Wallace St.	V9R 5B1	753-2471
New Westminster	227-6th Ave.	V3L 3A5	525-1011
North Vancouver	145-15th St. W.	V7M 1R9	980-6571
Prince George	299 Victoria St.	V2L 5B8	563-0641
Terrace	4548 Lakelse Ave.	V8G 1P8	635-4951
Vancouver	900 W. Hastings St.	V6C 1E7	687-1300
Vernon	3303-30th Ave.	V1T 5E4	545-7215
Victoria	990 Fort St.	V8V 3K2	388-0161
Williams Lake	30A North Third Ave.	V2G 2A2	398-8233

C. FARM CREDIT CORPORATION OFFICES

Regional Office		
#200, 595 K.L.O. Rd.	Regional Manager:	George Jones
Kelowna	Assistant Regional Manager:	Vin Duffy
V1Y 8E7	District Supervisor:	Arnold Epp
Telephone: 762-2416	Supervisor of Admin.:	Colin Cruickshank
	Loan Review Officer:	Warren Smith

FIELD OFFICE	CREDIT ADVISOR	OFFICE DAY	FIELD AREA
#206, 2760 Trethaway Street ABBOTSFORD V2T 3R1	John Barmby	Thursday & Friday	All Vancouver Is. and Municipalities of: Surrey, Delta Richmond, Langley, Pitt Meadows, Maple Ridge, Pemberton Valley
	R.J. Keith	Thursday & Friday	Municipalities of: Kent, Chilliwack, Matsqui, Abbotsford, Mission, Dewdney, Deroche, Fraser East and Canyon.
#200, 595 K.L.O. Rd. Kelowna, V1Y 8E7	L. McRory	Friday	Okanagan, Osoyoos to Westbank, Similkameen Valley, Boundary, (Kettle River)
	D.R. Martin	Friday	Oyama, Winfield, Kelowna, Armstrong, Revelstoke, Vernon, E. and W. Kootenays
	John Fradette	Friday	Kamloops, Salmon Arm, Merritt, Thompson, Cariboo, Chilcotin
#206, 10224-10th Ave. Dawson Creek V1G 3T4	Ron Hoar	Friday Friday	South Peace North Peace
#204, 715 Victoria St. Prince George V2L 2K5	Alan Ford	First and Third Friday of each month.	Highway 16 and Quesnel

EXTRA OFFICE DAYS:		Days of the Month
L. McRory	B.C.M.A.F, Oliver	2nd Monday
D. R. Martin	B.C.M.A.F, Creston	3rd Tuesday
Ron Hoar	B.C.M.A.F, Fort St. John	1st and 3rd Thursday
Alan Ford	B.C.M.A.F, Vanderhoof	3rd Tuesday
	B.C.M.A.F, Smithers	2nd Wednesday